

MAKING THE RENT TRULY AFFORDABLE

**Why Operating Subsidies Belong in New York City's
Affordable Housing Toolkit**



About the Authors

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The Community Service Society of New York (CSS) is an informed, independent, and unwavering voice for positive action representing low-income New Yorkers. CSS addresses the root causes of economic disparity through research, advocacy, and innovative program models that strengthen and benefit all New Yorkers.

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The Unheard Third is an annual scientific survey, begun in 2002, that tracks the hardships of New York City's low-income population and their views on what would help them get ahead. Developed and administered in collaboration with Lake Research Partners, a leading national polling firm, the Unheard Third also surveys middle- and higher-income New Yorkers to see how their experiences and views line up with or diverge from those of low-income residents. By conducting the only regular public opinion poll of low-income households in the nation, CSS seeks to ensure that the priorities of our city government reflect the needs of all New Yorkers. Our findings have been the basis for successful campaigns to pass paid sick days and establish half-price transit fare for the poor in New York City.

Low-income residents are defined as those with household incomes at or below 200% of the federal poverty level. This includes the poor and the near-poor between 100% and 200% of poverty. In 2018, the federal poverty guideline for a family of four was \$25,100.



MAKING THE RENT TRULY AFFORDABLE

Why operating subsidies belong in New York City's affordable housing toolkit

While high housing costs are a challenge for most New Yorkers, they are a crisis for those with the lowest incomes. Rising homelessness, especially among families, is the most evident sign of the struggles of those near or below poverty to find an affordable place to live. But there are other, less visible signs of the affordable housing crisis. The Community Service Society's latest annual Unheard Third survey reveals the wide extent of housing hardships among low-income New Yorkers—like falling behind in the rent, doubling up with other households, and facing threats of eviction—that force families to make difficult trade-offs and can be precursors of homelessness.*

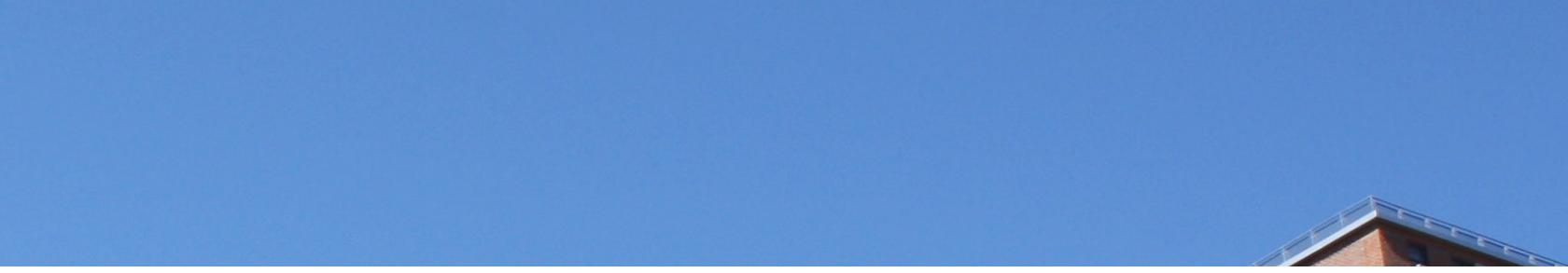
Mayor Bill de Blasio has made affordable housing one of the signature initiatives of his administration. To date, his *Housing New York* plan has financed 109,767 units towards a projected goal of preserving and producing 300,000 affordable units by 2026, including 34,482 new units.¹ However, critics have pointed out that only a small fraction of these new units constructed to date—20 percent—are targeted to the lowest-income households who are facing the steepest rent burdens, leaving them little left over to live on. Our survey findings confirm this. Low-income, unsubsidized renters report not just a higher incidence of housing hardships, but are also more likely to go hungry, not be able to afford a MetroCard, have their utilities turned off, and cut back on other necessities.

*see page 14 for more information on how the survey was conducted



Most New Yorkers have enough first-hand experience with spiraling rents and sky-high real estate prices to understand that we have an affordable housing crisis. But in the past year, the bad news about our city's housing landscape has only escalated: underfunded public housing plagued with deteriorating and scandalous conditions; an ever-increasing need for homeless shelters; and mounting pressures from gentrification and growing density. It's not surprising that the majority of New Yorkers we surveyed give the mayor low marks on the job he's doing addressing affordable housing and rate the governor only a little better.

What's the solution? Many housing experts agree that targeting a greater share of affordable units to households HUD calls "extremely and very low income" (under \$46,950 for a family of three) requires either an expansion of rent subsidies, such as federal Section 8 vouchers, or a new source of operating subsidies that does the same thing: allows tenants to pay lower rents without compromising building operations and maintenance. The public shares that view. A majority of New Yorkers across income groups favor investing more in rent assistance over more tax breaks for developers or additional homeless shelters.



To date, operating subsidies have been a glaring omission from the city's housing toolbox. Comptroller Scott Stringer has offered the first serious proposal to invest \$125 million a year in operating subsidies, along with \$375 million annually in new

A majority of New Yorkers across income groups favor investing in rent assistance over more tax breaks for developers or additional homeless shelters.

capital funds to build more housing affordable for those most in need, with incomes below half of the Area Median Income, or \$46,950 for a family of three. The cost of producing this housing would be further lowered by using city-owned land to the extent possible and relying more

on not-for-profit developers. Stringer has proposed paying for this new commitment by replacing the existing mortgage recording tax—which, in effect, penalizes middle-class home buyers who need to borrow—with a more progressive real property transfer tax that would capture revenues from the all-cash transactions that are common at the very high end of the real estate market, and that are taxed at a lower tax rate than buyers who take out a mortgage. The plan would lower taxes for middle-income buyers who finance their purchases. This is a worthy idea that deserves serious consideration.

HERE ARE THE KEY FINDINGS FROM THE 2018 UNHEARD THIRD SURVEY:

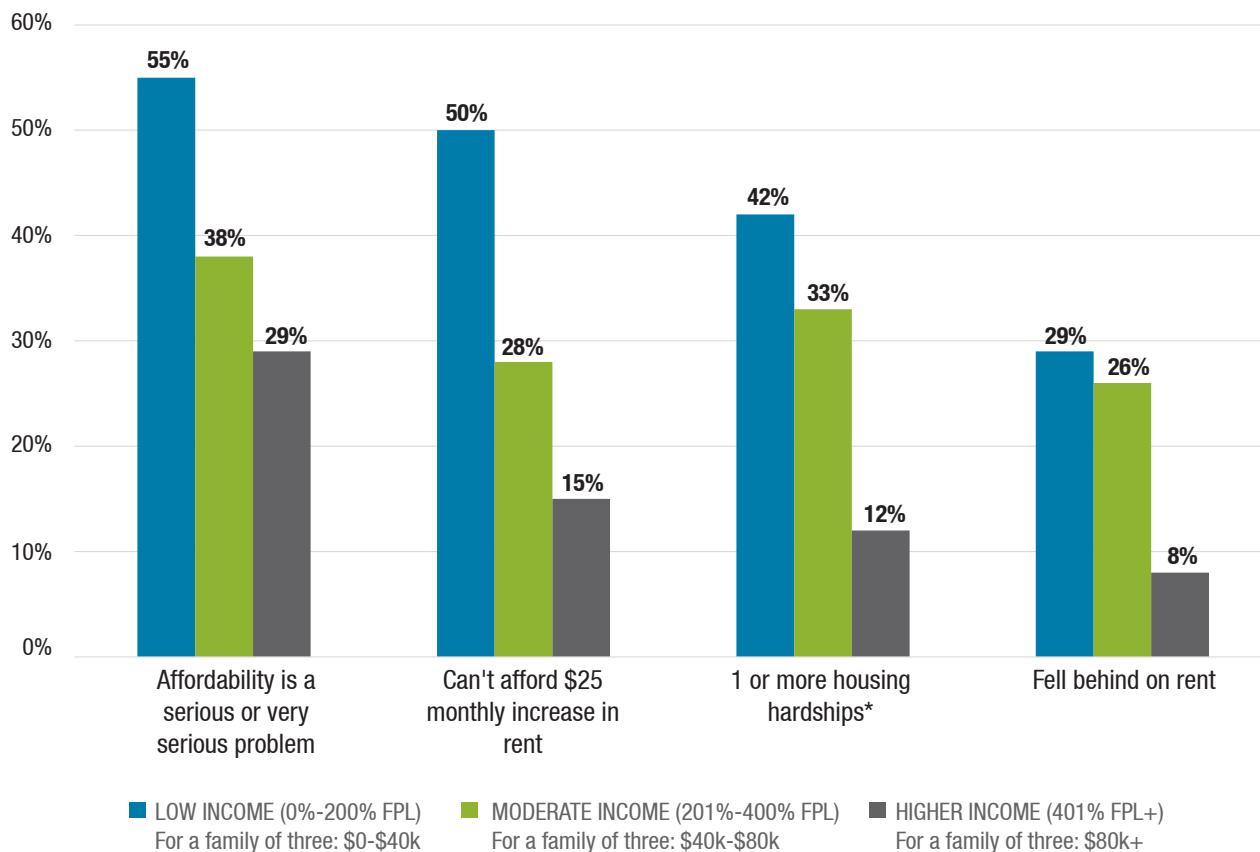
Finding 1: Low-income New Yorkers face widespread housing hardships.

Nearly a million (960,000) households in New York City are low income, struggling to get by on less than twice the federal poverty level of just below \$40,000 for a family of three. While a substantial number, 29 percent, have their housing costs eased by public housing, Section 8 rent vouchers, or other public programs, the majority, 53 percent, are renters who do not receive any housing subsidies.²

The Unheard Third data indicate that unsubsidized low-income renters experience housing hardships at much higher rates than their higher-income counterparts. More than half of these unsubsidized renters reported that affording the rent is a serious or very serious problem. Half say they could not pay even \$25 more a month in rent, putting them at risk of housing instability from even seemingly small rent increases.

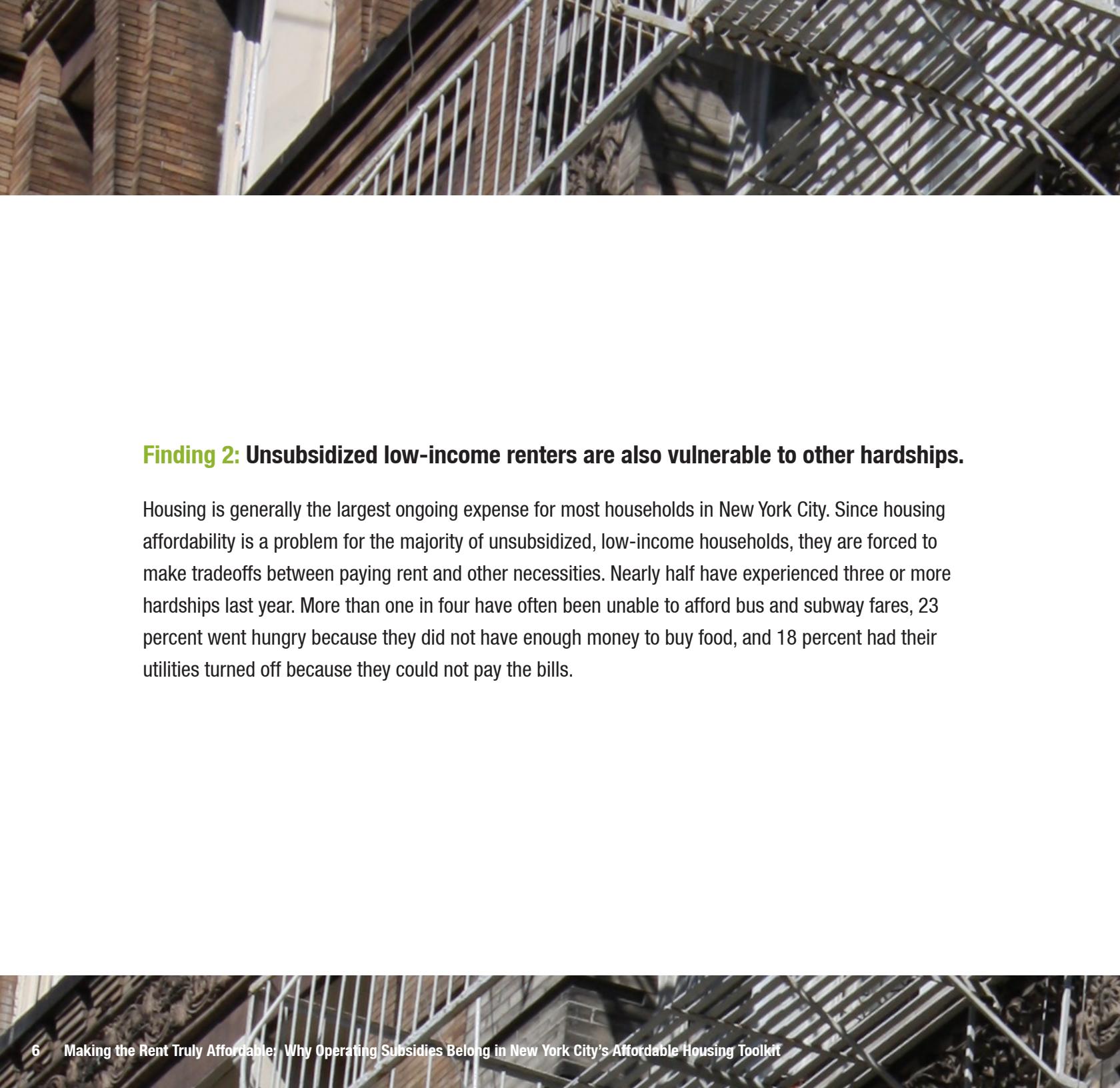
Unsubsidized, low-income renter households are more than three times as likely to report falling behind on rent compared to high-income households. Overall, this data is indicative of major housing instability among low-income, unsubsidized households and high vulnerability to eviction and homelessness.

HOUSING HARDSHIPS AMONG UNSUBSIDIZED RENTERS, BY INCOME CATEGORY (2018)



Housing hardships include: fell behind on rent, threatened with eviction, moved in with others.

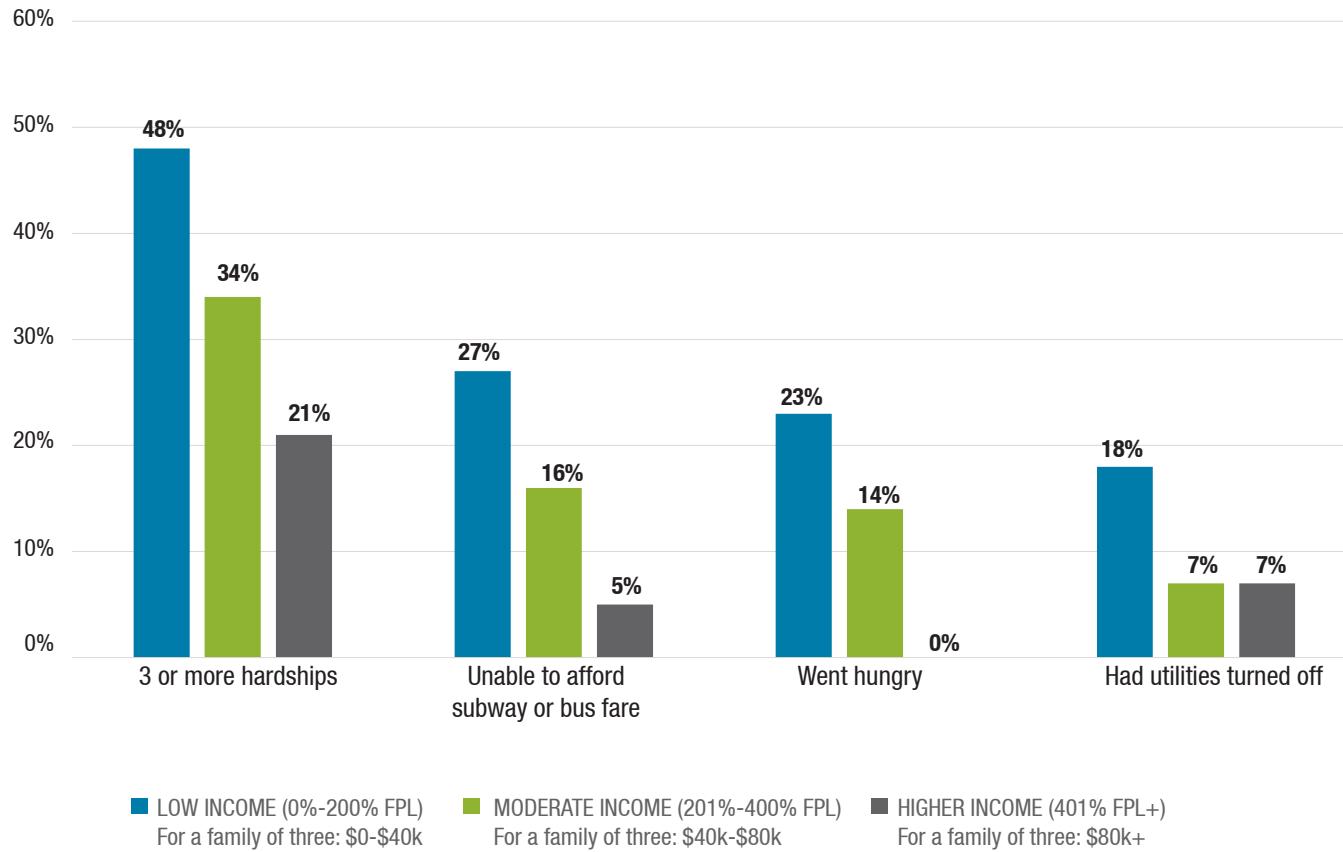
Source: 2018 Unheard Third Survey



Finding 2: Unsubsidized low-income renters are also vulnerable to other hardships.

Housing is generally the largest ongoing expense for most households in New York City. Since housing affordability is a problem for the majority of unsubsidized, low-income households, they are forced to make tradeoffs between paying rent and other necessities. Nearly half have experienced three or more hardships last year. More than one in four have often been unable to afford bus and subway fares, 23 percent went hungry because they did not have enough money to buy food, and 18 percent had their utilities turned off because they could not pay the bills.

HARDSHIPS AMONG UNSUBSIDIZED RENTERS, BY INCOME CATEGORY (2018)³



Source: 2018 Unheard Third Survey



Finding 3: New construction under the housing plan does not address the pressing needs among low-income New Yorkers.

New construction under Mayor Bill de Blasio's Housing New York plan has primarily been targeted to households earning above 50 percent of Area Median Income (AMI), or \$46,950 for a family of three. This is well above the 200 percent of federal poverty threshold (\$39,460 for a family of three), which we define as low income.

The vast majority of all new affordable housing development is supported by the low-income housing tax credit (LIHTC) and other subsidies that provide capital funding. Other than an inadequate pool of federal Section 8 vouchers, and a limited program for some shelter residents, there is no on-going rental assistance program for tenants that also functions as an operating subsidy for landlords. Without such a subsidy, deep affordability (targeted to households below 30 percent AMI) is difficult to achieve.





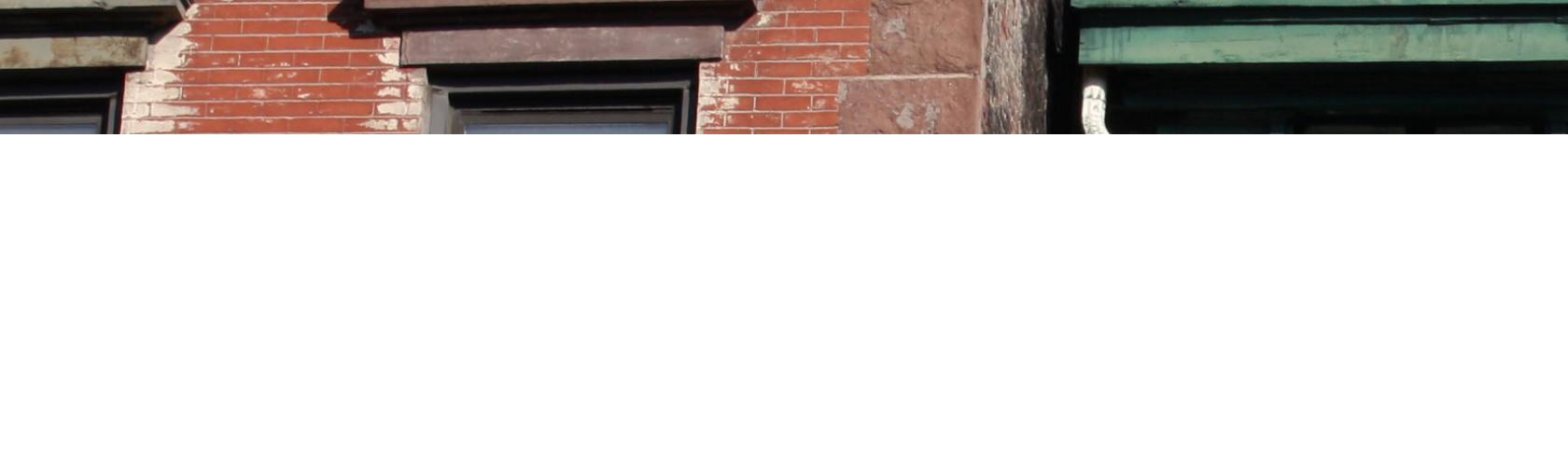
NEW UNITS SPONSORED UNDER THE *HOUSING NEW YORK* PLAN

AMI BAND	UNITS	PERCENT OF TOTAL
0-30% AMI	6,780	20%
31-50% AMI	3,914	11%
51-80% AMI	19,238	56%
81-120% AMI	2,125	6%
120-165% AMI	2,242	7%
Total Units	34,299	

Note: In 2018, New York City's Area Median Income (AMI) for a family of three was \$93,900; 200% FPL is 42% AMI

Source: HPD, *Housing New York by the Numbers* (through 6/30/18)

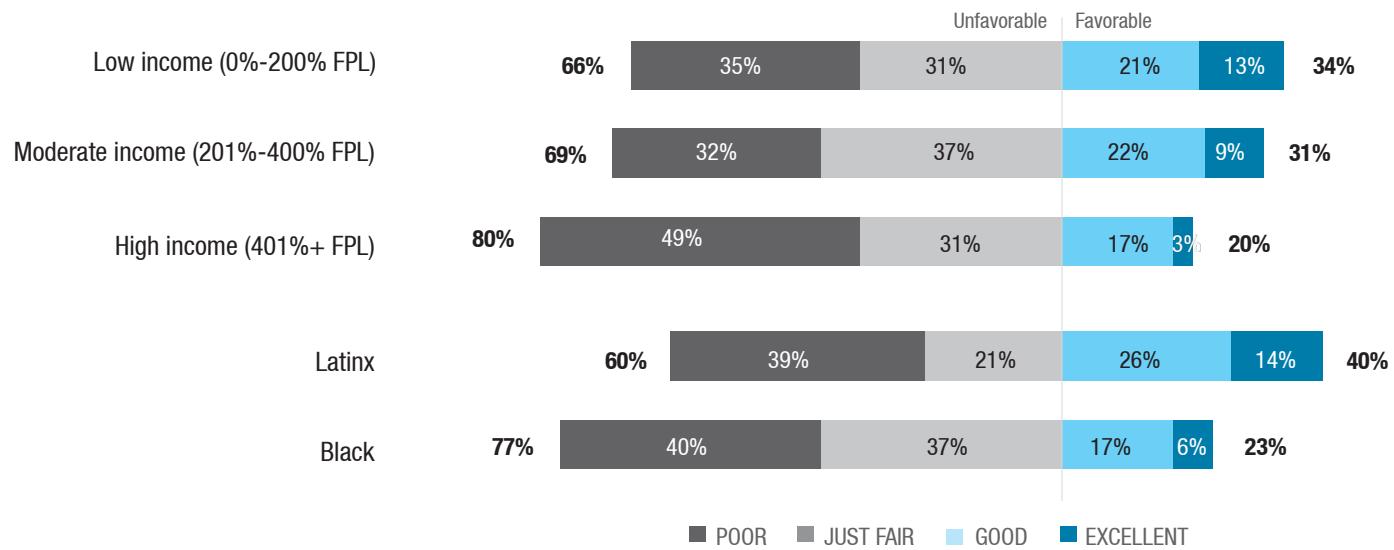




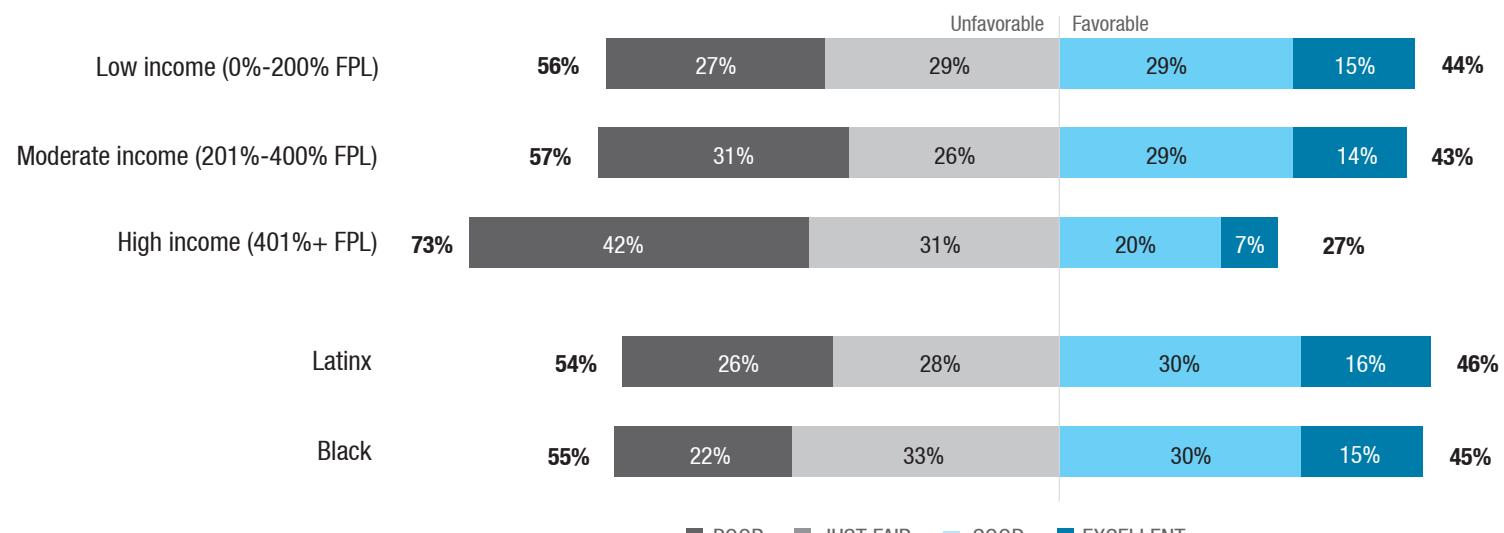
Finding 4: New Yorkers—across incomes—are unsatisfied with both city and state efforts to address the affordable housing crisis.

New Yorkers, across incomes, feel that neither the mayor nor the governor have been effective at addressing the housing crisis. Sixty-six percent of low-income, 69 percent of moderate-income, and 80 percent of higher-income respondents rate the mayor's performance as just fair or poor. While the governor gets a somewhat higher rating than the mayor, public opinion is still generally negative: 56 percent of low-income, 57 percent of moderate-income, and 73 percent of higher-income respondents rate the job the governor is doing as just fair or poor.

Q: How would you rate the job Mayor de Blasio is doing addressing the need for more affordable housing?



Q: How would you rate the job Governor Cuomo is doing addressing the need for more affordable housing?



Source: 2018 Unheard Third Survey



Finding 5: New Yorkers support rental assistance over expanding tax breaks and homeless shelters.

Tax incentives, the primary tool that is currently available for meeting the housing needs of low-income New Yorkers, are insufficient for providing housing affordable to families earning under 200 percent of the federal poverty level. To supplement the lack of affordable housing, the city has expanded its homelessness initiatives, with shelters becoming the de facto housing solution for many households who cannot afford either market rate units or affordable apartments. The average length of stay in shelters for all segments of the homeless population exceeded one year in 2018.⁴

Both of these approaches are quite costly. Developer tax breaks are hidden, because they do not appear as a line item in the budget. Yet they cost the city a significant amount in lost tax revenue every year. For example, 421-a, the city's largest real property tax expenditure program, cost the city \$1.4 billion in fiscal year 2018.⁵ The spending on shelters has reached \$1.8 billion in 2018, and is expected to rise as the city continues to create additional shelters.⁶

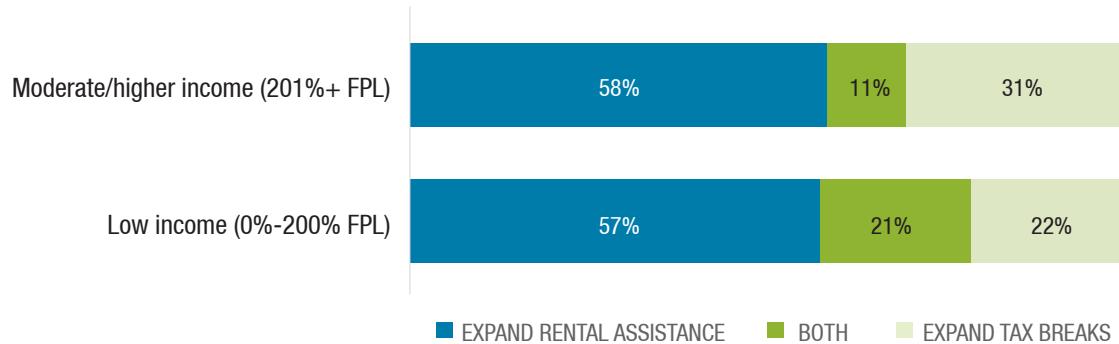
To make housing more affordable and to address homelessness, the majority of New Yorkers across incomes favor rental assistance over tax breaks and shelters. In essence, operating subsidies function much like Section 8 vouchers and other forms of direct rental assistance: the ongoing support allows tenants to pay lower rents without compromising building operations and maintenance.

As the first serious proposal recognizing the need for operating subsidies in affordable housing, Comptroller Scott Stringer's plan to invest \$125 million a year in operating subsidies for units affordable to the lowest-income New Yorkers would go a long way toward filling a much-needed funding gap to help target housing to families that need it most.

SUPPORT FOR RENTAL ASSISTANCE VS. TAX BREAKS, BY INCOME CATEGORY

Q: Right now, New York City and State officials are considering ideas for making housing more affordable. Which of the following statements do you agree with more?

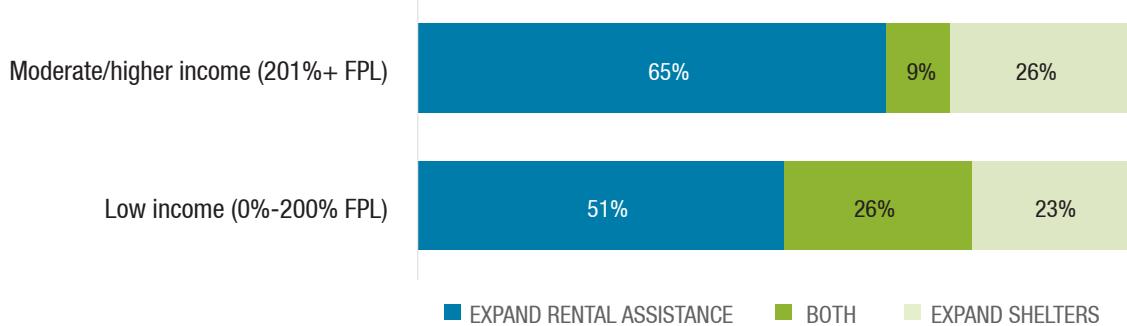
- Expand rent assistance programs to help low-income New Yorkers afford their rent
- Expand tax breaks to real estate developers to encourage them to build more affordable housing units in new buildings



SUPPORT FOR RENTAL ASSISTANCE VS. SHELTERS, BY INCOME CATEGORY

Q: When it comes to reducing homelessness in New York City, which of the following statements do you agree with more?

- Government should invest more in expanding and improving homeless shelters
- Government should invest more in providing rent assistance to low-income residents to prevent evictions



Source: 2018 Unheard Third Survey

How the Survey Was Conducted

The Community Service Society designed this survey in collaboration with Lake Research Partners, who administered the survey by phone using professional interviewers. The survey was conducted from July 11 to August 13, 2018.

The survey reached a total of **1,775 New York City residents**, age 18 or older, divided into two samples:

- 1,138 low-income residents (up to 200% of federal poverty standards, or FPL) comprise the first sample:
 - * 578 poor respondents, from households earning at or below 100% FPL
 - * 560 near-poor respondents, from households earning 101% - 200% FPL
- 637 moderate- and higher-income residents (above 200% FPL) comprise the second sample:
 - * 437 moderate-income respondents, from households earning 201% - 400% FPL
 - * 200 higher-income respondents, from households earning above 400% FPL

This year's survey also included an oversample of **954 cell phone interviews** among adult residents up to 400% FPL and an oversample of 100 retail workers who only heard questions C1-7, 28-56, 59-60, and 72-103.

Telephone numbers for the low-income sample were drawn using random digit dial (RDD) among exchanges in census tracts with an average annual income of no more than \$40,840. Telephone numbers for the higher income sample were drawn using RDD in exchanges in the remaining census tracts. The data were weighted slightly by income level, gender, region, age, party identification, education, immigrant status, and race in order to ensure that it accurately reflects the demographic configuration of these populations. Interviews were conducted in English, Spanish, and Chinese.

In interpreting survey results, all sample surveys are subject to possible sampling error; that is, the results of a survey may differ from those which would be obtained if the entire population were interviewed. The size of the sampling error depends on both the total number of respondents in the survey and the percentage distribution of responses to a particular question. The margin of error for the low-income component is 2.9 percentage points. The margin of error for the higher income component is 3.9 percentage points

Endnotes

1. HPD, *Housing New York by the Numbers* (through 6/30/18)
2. CSS calculations based on the 2017 NYC Housing Vacancy Survey; 18% of low income households are homeowners.
3. Full list of hardships included in the Unheard Third survey
 - a. Not gotten or postponed getting medical care or surgery because of a lack of money or insurance
 - b. Needed to fill a prescription but couldn't because of a lack of money or insurance
 - c. Received free food or meals from a food pantry, soup kitchen, or meal program
 - d. Received free food or meals from family or friends because you didn't have enough money to buy food
 - e. Went hungry because there wasn't enough money to buy food
 - f. Often skipped meals because there wasn't enough money to buy food
 - g. Had either the gas, electricity, or telephone turned off because the bill was not paid
 - h. Moved in with other people even for a little while because of financial problems
 - i. Cut back on buying back to school supplies and clothes because of a lack of money
 - j. Lost your job
 - k. Had your hours, wages, or tips reduced
 - l. Fallen behind on your rent or mortgage
 - m. Received assistance from charity, religious, or community organization
 - n. Been threatened by foreclosure or with eviction
 - o. Been without health insurance coverage
 - p. Often unable to afford subway and bus fares
4. Coalition for the Homeless. State of the Homeless, 2018. Available at: <http://www.coalitionforthehomeless.org/wp-content/uploads/2018/03/CFHStateoftheHomeless2018.pdf>
5. Annual Report on Tax Expenditures, The City of New York Department of Finance, 2018.
6. Picture the Homeless. The Business of Homelessness: Financial & Human Costs of the Shelter-Industrial Complex, 2018. Available at: http://picturethehomeless.org/wp-content/uploads/2018/03/PtH_White_paper5.pdf

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